



OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

USAID's Actions on Top Management Challenges and OIG's Continuing Oversight

**Statement of the Honorable Ann Calvaresi Barr
Before the United States Senate Committee on
Appropriations, Subcommittee on State, Foreign
Operations, and Related Programs**

Chairman Graham, Ranking Member Leahy, and Members of the Subcommittee:

In fiscal year 2017, the U.S. Agency for International Development (USAID) managed nearly \$30 billion in budgetary resources to provide humanitarian assistance and advance economic growth and democracy around the world. This statement for the record provides a high-level overview of the top management challenges facing USAID that we identified and reported on, and actions it has taken to address these challenges (attachment 1), as well as related oversight work that we are currently conducting.

TOP MANAGEMENT CHALLENGES CONFRONTING USAID

OIG identified and reported on four strategic challenges confronting USAID in fiscal year 2018. These longstanding challenges are based on our audits and investigations—which we have reoriented in recent years to get at the crosscutting, systemic causes underlying observed issues—and our experience examining foreign assistance programs.

- **Reconciling Interagency Priorities and Functions To More Efficiently and Effectively Advance International Development.** Implementing foreign assistance programs, projects, and operations that involve multiple U.S. Government agencies has presented significant challenges for USAID in achieving its core development mission. In particular, coordination with the Department of State has complicated USAID's project planning and execution. This was the case with the implementation of the Enhanced Partnership with Pakistan Act (EPPA) of 2009, which authorized \$7.5 billion over 5 years for civilian assistance. Before USAID identified its long-term development goals for EPPA, the Secretary of State announced a series of infrastructure projects for USAID, the implementation of which ultimately took precedence over other development priorities, such as health, education, and economic growth. Despite broad interagency guidance on the Department of State's role in politically sensitive environments, USAID employees are sometimes unclear how best to manage additional layers of review, nimbly respond to changing priorities, address both U.S. diplomatic and development goals, and balance short- and long-term priorities.

In the global health sector—where USAID coordinates with other U.S. Government agencies like the Centers for Disease Control and Prevention—the Agency has not fully capitalized on its experience with Ebola and other major outbreaks to establish a framework for mobilizing a coordinated response that would help secure needed resources and reduce delays in responding to these health crises.

- **Strengthening Country Ownership and Local Capacity To Promote Sustainability of U.S.-Funded Development.** To sustain development after U.S. assistance ends, USAID calls for investing in communities that have a stake in continuing activities and services, building the skills of local stakeholders, and ensuring public- or private-sector participation and financial backing. However, sustaining benefits beyond a project's completion presents many challenges, including

weak corporate governance in some local implementers. For example, USAID completed significant components of the Gomal Zam Multipurpose Dam in Pakistan, but after it was completed and handed over to the Government of Pakistan in June 2013, Pakistani Government officials reported that the operation of the hydroelectric component was sporadic. In October 2016, system failures and damages altogether shut down electricity generation, which has yet to be restored.

- **Improving Program Planning and Monitoring.** Successful foreign assistance programs rely on rigorous planning and monitoring to help ensure programs have the resources needed to achieve objectives and identify and address fraud and other risks that prevent programs from achieving desired results. However, putting these concepts into practice continues to be a challenge for USAID, particularly in overseas contingency operations and nonpermissive environments. For example, USAID did not define or measure performance to assess overall progress in meeting key U.S. objectives for the Afghanistan Reconstruction Trust Fund (ARTF)—despite U.S. contributions totaling \$2.9 billion. Instead, the Agency’s reported results were limited to one activity between 2013 and 2015, which accounted for just 9 percent of U.S. ARTF contributions. This lack of accountability was due in large part to the absence of a monitoring and evaluation plan that aligned activities and performance indicators with the mission’s strategy and objectives.
- **Meeting Governmentwide Financial and Information Management and Security Requirements.** OIG continues to report significant deficiencies in USAID’s internal control over financial reporting, as well as other challenges in meeting strict Federal financial and information management requirements. New financial management and reporting requirements under the Digital Accountability and Transparency Act and the Grants Oversight and New Efficiency Act could further challenge USAID.

USAID has taken multiple actions in response to our observations and recommendations, including working with the Department of State and other U.S. Government agencies to reconcile priorities, developing indicators to track local ownership for sustained results, and updating its planning and monitoring policy. It has also reported strengthening award conditions to build in more controls.

ONGOING OVERSIGHT OF USAID PROGRAMS AND REFORMS

We continue to focus our work on several key assistance areas where more attention is needed to reconcile interagency priorities and functions, strengthen country ownership and capacity, and improve program planning and monitoring. This is the case, for example, with USAID’s humanitarian assistance and global health programs, its engagement with public international organizations such as U.N. agencies, and its efforts to mitigate risks related to terrorism and sexual exploitation and abuse.

- USAID's humanitarian assistance operations have been the target of large-scale, widespread criminal activity where vendors swapped vital beneficiary supplies with lesser goods, and implementers billed USAID for goods and services that were not delivered to beneficiaries. Given the extent of the criminal activity we uncovered, we launched an audit to assess implementers' internal controls and USAID's monitoring.
- In June 2017, we issued an advisory to USAID on vulnerabilities in the global health supply chain that exposed it to criminal exploitation. We are assessing USAID's efforts to mitigate risks in supply chain activities and effectively manage commodities and supply chains, while continuing to closely monitor activities to curb fraud, waste, and abuse.
- USAID relies on public international organizations to implement development and humanitarian assistance activities on its behalf in many settings, but particularly in nonpermissive, long-term crisis environments such as Syria and Iraq. Because our past work has shown that the Agency has taken a hands-off approach to overseeing awards to public international organizations, we are reviewing USAID's efforts to assess risks before awarding funds to these organizations, and its policies, processes, and guidance for managing these awards once made.
- Our work has uncovered diversions of USAID supplies and funds by militant and terrorist groups, as well as failures to disclose connections with such groups. We will continue to push for stronger controls and work aggressively to deter and root out activities that divert U.S. assistance.
- We are looking into recent disclosures from implementers related to allegations of sexual exploitation and abuse in USAID programs. We are keeping a close eye on this issue and fully pursuing related matters that come to our attention, while continuing to aggressively educate stakeholders on indicators of abuse.

We have also focused attention on USAID's reform efforts, which may have significant implications for how well the Agency is able to execute its mission going forward. Last September, USAID submitted an independent reform plan to the Office of Management and Budget (OMB), as well as a joint redesign plan with the Department of State. Our recent point-in-time review of USAID and Department of State redesign efforts highlighted uncertainty about the direction and end goals of the joint effort. It further noted that disagreement and limited transparency on decisions related to the consolidation of functions and services raised questions about what had been achieved. USAID staff also voiced concerns related to the Agency's approach for developing its independent reform plan, including a lack of transparency and inclusivity in the process.

Implementation of the joint reform plan appears to have been set aside for the time being. However, USAID continues to refine its independent plan and is moving into what it has described as a "transformation" phase, which aims to operationalize the objectives in its independent reform plan. As part of our oversight, we plan to assess USAID's ongoing reform and related efforts.

As Congress evaluates these plans, it may be productive to look back on key considerations we raised at the start of the process. Anticipating the challenges USAID would face in responding to OMB guidance calling on agencies to rethink their businesses models,¹ we issued an advisory that posed a number of questions for the Agency to consider as it developed its reform framework and plan (attachment 2). Many of these questions were associated with the top management challenges we identified. While reform efforts cannot be expected to fully address all the difficulties facing the Agency, they represent an important opportunity to make strides in responding to the most significant challenges.

The following table highlights some of the questions we posed as USAID undertook its reform efforts.

Area of Consideration	OIG Questions
Reconciling Interagency Priorities and Functions To More Efficiently and Effectively Advance International Development	<ul style="list-style-type: none"> • How can USAID work with other U.S. agencies to outline and deliberate on the comparative advantages of doing similar work abroad? • What partnerships can USAID forge with other U.S. agencies to implement projects that are outside USAID’s core development activities? • How can USAID further capitalize on shared agency support services, whether as a user or a provider?
Strengthening Country Ownership and Local Capacity To Promote Sustainability of U.S.-Funded Development	<ul style="list-style-type: none"> • What sustainability and risk criteria could USAID use in determining whether to take on or continue with a development program? • What tools would allow USAID to identify and adjust programs that require a transition from a short-term to a long-term approach, particularly in complex, ongoing crises? • How can USAID identify and mitigate risks associated with local partners and with government-to-government funding?

¹ OMB guidance required certain executive branch departments and agencies to develop a comprehensive reform plan that includes an analytical framework that considers how to eliminate, restructure, or merge activities; increase organizational efficiency and effectiveness; and improve workforce management.

Area of Consideration	OIG Questions
Improving Program Planning and Monitoring	<ul style="list-style-type: none">• How can USAID facilitate dialogue between headquarters bureaus (regional and functional) and missions so that field program designs align with the Agency's strategic priorities, and implementation remains on track?• How can USAID identify and target sectors or functions, regions, countries, implementers, and missions that have the most difficulty providing reliable data or exhibit other egregious data weaknesses?• How can USAID collaborate with implementers and other donors to share information and lessons learned, provide guidance and support, and create incentives to help them effectively carry out risk management activities?• How can USAID assess the likelihood and impact of fraud risks in sectoral, regional, and country programming and help mitigate those risks when designing projects?

In closing, I want to thank the Subcommittee for its interest in our work and views on the effectiveness and impact of USAID's programs and operations. I equally appreciate Administrator Green's support of our role and mandate—as evidenced by his message to USAID employees directing cooperation with our office, the Agency's renewed focus on responsiveness to our recommendations, and its commitment to ensure effectiveness and accountability to the American taxpayer as a goal in its new strategic plan. I look forward to our continued constructive engagement.

I am happy to provide additional perspectives on the challenges USAID faces, our work going forward, and any other areas of interest that the Subcommittee may have regarding our oversight and effectiveness.